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Crop insurance scheme: Awareness, technology key for successful implementation

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NEW DELHI: The NDA government recently launched a new crop insurance scheme titled Pradhan Mantri Fasal Bima Yojana (PMFBY) to mitigate the rural distress caused by crop failure or damage due to factors like unseasonal rains, monsoon failure, storms, floods, pests and diseases. According to the Agriculture Census Report 2010-11, the number of operational holdings (all land which is used wholly or partly for agricultural production and is operated as one technical unit by one person alalone or with others without regard to the title, legal form, size or location) was 138.35 million of which wholly owned and self-operated holdings accounted for 97.61 per cent in 2011. The small and marginal holdings (below 2 hectare) constituted 85.01 per cent. The report says there are around 118.6 million cultivators in the country. The government aims to cover at least 50% of farmers with its crop insurance scheme. The present coverage is below 25%.

Under the new scheme, a farmer has to pay a uniform premium of 2% of the total value (arrived at by factoring in MSP) for all Kharif crops, 1.5% of the value all Rabi crops and 5% on all commercial (cocoa, coffee, cotton, tea, tobacco) and horticultural crops. The balance amount towards the premium will be paid by the government. PMFBY is likely to cost the central government Rs 8,800 crore. State governments also have to contribute an equal amount for this scheme. In the Modified National Agricultural Insurance Scheme, the premium was in the range of 2-15% of the sum insured. The government provided a subsidy of 75% if the premium was above 15%. The insurance companies calculated the premium based on actuarial rate which for some crops were very high that went up to 40%.

If the actuarial rate was higher than the capped rate, then the sum insured would come down accordingly. For example, let us consider that the sum insured for a crop is Rs 30,000 with premium capped at 11%. If the actuarial rate is 22% for the crop, then the sum insured will be reduced to Rs 15,000 under MNAIS. In PMFBY scheme there is no cap on the total value government will be contributing towards the subsidy. Even if balance premium is 90% it will be borne by the government. The removal of capping on premium is expected to encourage more farmers to join the scheme.

The insurance companies providing the cover play an important role in executing the scheme and thereby its successful implementation. KG Krishnamoorthy Rao, MD & CEO, Future General India Insurance said, "scheme proposed seems to be good from the farmer's point of view since the premium payable from the farmer is likely to be reduced and the claim settlement process is made simpler. However we need to see the detailed rules about the scheme to understand it better." Anuj Tyagi, Member of Executive Management, Corporate & Rural Business and

Reinsurance, HDFC ERGO also agreed that the scheme has a host of features which makes it a perfect solution tailor made to suit the needs of the Indian farmer.

Most of the insurance companies feel that success of this program lies in increasing awareness amongst the farmers about this scheme. Ashish Agarwal, Head, Agri Business, Bajaj Allianz General Insurance said, "Only premium reduction would not help much in increasing coverage of farmers under the scheme. There is also an urgent need to launch campaigns to educate farmers and create awareness about the scheme among them." Krishnamoorthy Rao of Future General Insurance said that as the schemes are government run, the insurer has limited scope to spread awareness about this. However, Ms Kavitha Kuruganti, member of farmer rights activist group Alliance for Sustainable and Holistic Agriculture (ASHA), asserts that companies need to play a vital role in bringing about awareness among farmers on the scheme and its details. In an email response she said, "Insurance companies today hide behind the banks. The banks are the front-end transaction faces for crop insurance. Farmers are not even aware that premium is being deducted for insurance from their crop loan amount disbursals. The banks currently manage the process of enrolment of farmers on behalf of insurance companies. Farmers taking loans take insurance by default, but a majority of those who haven't taken loan from banks are not even aware of crop insurance scheme.

Among the insured farmers only 10% of them haven't taken loan from banks. Insurance companies though differ with the view that there are a lot of constraints when it comes to crop insurance. Sources among insurance companies who prefer not to be named, said that lack of e-records on land is a big constraint for crop insurance. Only few states in India possess e-records for land owned by farmers. They believe if crop insurance is made mandatory, it may improve the coverage significantly. This is not the first crop insurance scheme. Various other schemes were launched on earlier occasions — Comprehensive Crop Insurance Scheme (CCIS) in 1985, National Agricultural Insurance Scheme (NAIS) in 1999 and Modified National Agricultural Insurance Scheme (MNAIS) in 2013.

But these schemes were not able to bring in enough number of farmers under crop insurance due to high premium, lack of land records, low awareness and absence of coverage for localised crop damage. The Assessment of the damaged crops has also been a major bone of contention for farmers as well as insurers. The government has suggested using new age technologies such as remote sensing, drones for faster and accurate measurement of damages to crops. However, not everyone is convinced about it. Farmer activist Kuruganti says, "We think verification is certainly possible, but assessment still requires human interface since remote sensing has not evolved to an extent that it can capture village-wise details, for all crops notified as of now."

Insurers though believe that with the wide reach of mobile phones and government's digital India push, technology can be adopted to overcome those challenges. Rao said, "We need to learn from some other countries where such technology is deployed." For the scheme to be truly beneficial to farmers the government needs to engage them at all the levels. The central government should urge state governments to expedite the collection of digital land records. The faster adoption of modern technologies to assess the damage will be crucial in implementing the scheme. Payment of premium to insurance companies by the government without delay would also ensure that money is disbursed to the farmers without hassle.